

STATE OF MAINE	)	
PUBLIC UTILITIES COMMISSION	)	Docket No. 2001-178
 CENTRAL MAINE POWER COMPANY,	)	 June 22, 2001
MAINE NATURAL GAS, L.L.C., MAINECOM	)	
SERVICES, MAINE ELECTRIC POWER	)	
COMPANY, INC., NORVARCO, CHESTER	)	
SVC PARTNERSHIP,	)	
Application for Approval of Affiliated Interest	)	
Transactions	)	

The undersigned parties to the above-captioned proceeding (“Parties”) hereby enter into this Stipulation to provide for approvals under Section 707 of Title 35-A M.R.S.A. of form service agreements under which applicants can receive services from Energy East Management Company (“EE Management”) or provide services to other companies within the Energy East holding company structure.

***THE PARTIES TO THIS STIPULATION STIPULATE AND AGREE THAT:***

1. On March 12, 2001, Central Maine Power Company ("CMP"), Maine Natural Gas, L.L.C. ("Maine Gas"), MaineCom Services ("MaineCom"), Maine Electric Power Company, Inc. ("MEPCO"), NORVARCO, and Chester SVC Partnership ("Chester") (collectively, "Applicants") filed a petition seeking Commission approval pursuant to 35-A M.R.S.A. § 707 of two form service agreements. Under one form of agreement, attached to the Application as Exhibit A, EE Management provides certain centralized support services to those Applicants that are public utility companies. Under the second form of agreement, attached to the application as Exhibit B, the Applicants provide services to each other, or to other companies in the Energy East registered holding company system, that are incidental to their utility businesses or that require the specialized expertise of a utility employee.

2. Subject to the modification described below and subject to the conditions set forth in paragraphs 3 through 6 of this Stipulation, the parties agree that the application described in paragraph 1 should be granted and the two forms of agreement, with the granting of the waiver under Chapter 820 of the Commission's rules as described in paragraph 5 hereof, satisfy the requirements of Section 707 and should be approved.

3. The form agreement provided in Attachment A (to wit support services from EE Management to a utility) in subsection 1.1 provides: "Service Company shall also provide Client Company with such special services, in addition to those services described in Appendix A hereto, as may be requested by Client Company and that Service Company concludes it is able to perform." This sentence shall be deleted from the agreement and replaced with the following sentence: "Service Company shall also provide Client Company with such special services, so long as such special services do not materially add to those services described in Appendix A hereto, as may be requested by Client Company and that Service Company concludes it is able to perform."

Furthermore, subsection 1.2 provides: "Client Company shall take from Service Company such of the services described in Appendix A, and such additional general or special services, whether or not now contemplated, as are requested from time to time by Client Company and that Service Company concludes it is able to perform." The underlined language "whether or not now contemplated" will be replaced with "as limited by subsection 1.1 hereof".

4. The form agreement provided in Attachment B (to wit support services from a utility to affiliate) in subsection 1.1 provides: "Utility Company shall also provide Client Company with such special services, in addition to those services described in Appendix A hereto, as may be requested by Client Company and that Utility Company concludes it is able to

perform.” This sentence shall be deleted from the agreement and replaced with the following sentence: “Utility Company shall also provide Client Company with such special services, so long as such special services do not materially add to those services described in Appendix A hereto, as may be requested by Client Company and that Utility Company concludes it is able to perform.”

Furthermore, Subsection 1.2 provides: “Client Company shall take from Utility Company such of the services described in Section 1.1, and such additional general or special services, whether or not now contemplated, as are requested from time to time by Client Company and that Utility Company concludes it is able to perform.” The underlined language “whether or not now contemplated” will be replaced with “as limited by subsection 1.1 hereof”.

5. The parties recognize that under cost allocation methodologies required by the Public Utilities Holding Company Act (“PUHCA”) and the implementing rules promulgated by the Securities and Exchange Commission (“SEC”), EE Management and the utility members of Energy East must bill and be billed at fully distributed cost (“FDC”) for services provided among members of the Energy East corporate group. In addition, the parties recognize that Chapter 820 of the Commission’s Rules provides that market pricing is either required or preferred with respect to service billings among members of an affiliated group. Furthermore, the parties recognize that CMP is by far the largest applicant hereunder and is currently operating under a seven year Alternative Rate Plan under which rates are adjusted according to a formula rather than pursuant to traditional ratemaking principles. Therefore, the parties agree that:

- (a) For purposes of billings between EE Management and the applicants or among the applicants themselves, the parties agree that good cause has been shown and that a waiver from the requirements of Chapter 820 should be granted

pursuant to paragraph 9 of that Rule and that, in accordance with that waiver, all billings under the form agreements approved in this proceeding will be under the FDC methodology. This waiver shall permit EE management to bill no more than \$7 million to applicants during any twelve month calendar year and if, to the extent that applicants seek to increase this amount to no more than \$10 million, they shall make a notice filing with the Commission and the increase shall automatically become effective unless, within 20 days of such filing, a party to this proceeding or the Commission's Staff files an objection to the increase which shall fully set forth the reasons for such objection. To increase the waiver amount above \$10 million, the applicants shall file a request with the Commission explaining the reasons for such increase. The Commission shall act upon any objection described in this subparagraph within 60 days of the filing and shall act upon a request to increase the waiver amount above \$10 million within 120 days of the filing.

(b) For ratemaking purposes, each of the applicants will provide appropriate market information (which shall mean market rates for such services or, if the applicants conclude that no market rates are available, the explanation supporting the unavailability of market rates) to demonstrate that the costs billed under these agreements are just and reasonable. Such market information shall only be required if and to the extent that an applicant is seeking (or another party is requesting) a rate change (whether in a general rate proceeding, pursuant to a bottom-end earnings sharing mechanism, or as a result of a mandated cost) that includes costs billed under the agreements approved herein. In such a proceeding

seeking a rate change, any other party is free to contest the reasonableness of the costs incurred under the agreements approved herein and the applicant seeking to include such costs in its rate change shall have the burden of proof as to the reasonableness of such costs.

6. Under its current cost allocation and reporting methodology, EE management tracks its direct labor in one hour increments. To more specifically track the allocation of time to particular projects, EE Management shall amend its cost allocation and tracking methodology so that any actual labor charges directly billable to applicants shall be tracked and reported in fifteen minute increments as appropriate.

7. The execution of this Stipulation by any Party shall not constitute precedent as to any matter of law or fact nor, except as expressly provided herein, shall it foreclose any of the Parties from making any contention or exercising any right, including rights of appeal, in any other Commission proceeding or investigation, or any other trial or action.

8. The Parties intend that this Stipulation be considered by the Commission for adoption as an integrated solution to the issues addressed herein which arose in the above-captioned proceeding and as otherwise presented in this Stipulation. The parties also intend that this Stipulation shall be null and void, and not bind the parties in the above-captioned proceeding, in the event the Commission does not adopt this Stipulation without material modification.

9. If not accepted by the Commission in accordance with the provisions hereof, this Stipulation shall not prejudice the positions taken by any Party on these issues before the Commission in this proceeding and shall not be admissible evidence therein or in any other proceeding before the Commission.

10. The parties waive any rights to an Examiner's Report and waive the ex parte rules in order that the Staff can provide their views on this proceeding to the Commission.

Dated: \_\_\_\_\_

CENTRAL MAINE POWER COMPANY  
MAINE NATURAL GAS, L.L.C.  
MAINECOM SERVICES  
MAINE ELECTRIC POWER COMPANY, INC.  
NORVARCO  
CHESTER SVC PARTNERSHIP

By: \_\_\_\_\_

Dated: \_\_\_\_\_

THE PUBLIC ADVOCATE

By: \_\_\_\_\_

Dated: \_\_\_\_\_

INDUSTRIAL ENERGY CONSUMERS GROUP

By: \_\_\_\_\_